
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
POLICY SUBCOMMITTEE
OF THE
INVESTMENT COMMITTEE**

MINUTES OF MEETING

March 17, 2008

A meeting of the Policy Subcommittee was held on Monday, March 17, 2008 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order by Board President Feckner at approximately 2:30 p.m. and the following members were present:

George Diehr
Henry Jones
Louis F. Moret
Anne Sheehan

Policy Subcommittee members excused:
Charles Valdes

Other Board members present:
John Chiang, represented by Terry McGuire
Rob Feckner
Priya Mathur

Because there were no officers as yet for the 2008 appointed Subcommittee, Board President Feckner directed Board Vice President Diehr to preside over the Chair and Vice Chair elections.

AGENDA ITEM 2 – APPROVAL OF THE DECEMBER 2007 MEETING MINUTES

On **MOTION** by Mr. Jones, **SECONDED** and **CARRIED** to approve the December 14, 2007 meeting minutes as presented.

AGENDA ITEM 3 – ELECTION OF CHAIR AND VICE CHAIR

The Policy Subcommittee elected Henry Jones as Chair and George Diehr as Vice Chair.

Chair Jones presided over the remainder of the meeting.

AGENDA ITEM 4a – REAL ESTATE, Revision of the Certification of Responsible Contractor Status Form (Policy on Responsible Contract Program)

Ted Eliopoulos, Senior Investment Officer, and Laurie Weir, Portfolio Manager, presented the item. Allan Emkin, Pension Consulting Alliance, was available to respond to questions from the Subcommittee.

Since early 2007, staff has reviewed with CalPERS' partners and labor representatives possible improvements to the Responsible Contractor Program (RCP) certification process. The proposed RCP Worksheet was the result of those efforts. The positive feedback received indicates that the worksheet should be a helpful tool for bidders to use in assessing their responsible contractor status and assists our partners in evaluating compliance with the RCP. Staff recommended approval of the worksheet as a supplement to the form titled Certification of Responsible Contractor Status.

On **MOTION** by Ms. Sheehan, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the new Responsible Contractor Worksheet as a supplement to the Certification of Responsible Contractor Status Form.

AGENDA ITEM 5a – GLOBAL EQUITY, Revision of Policy on Global Proxy Voting, Consolidation of Global Principles of Accountable Corporate Governance and Core Principles of Accountable Corporate Governance, and Repeal of Existing Principles

Eric Baggesen, Interim Senior Investment Officer, Dennis Johnson, Senior Portfolio Manager, presented the item. Andrew Junkin, Wilshire Associates, was available to respond to questions from the Subcommittee.

Staff recommended the following principles and policy revisions to support CalPERS' corporate governance principles-based approach to voting proxies, influencing the capital marketplace, engaging companies, and implementing Corporate Governance Program initiatives to maximize Total Fund investment returns.

- Revisions to CalPERS' Statement of Investment Policy on Global Proxy Voting
- Revisions to CalPERS' Global Principles of Accountable Corporate Governance including three amendments to existing principles and the addition of eleven new principles.

- Consolidation of CalPERS' Global Principles of Accountable Corporate Governance and Core Principles of Accountable Corporate Governance into one document entitled Global Principles of Accountable Corporate Governance.

At the preceding Investment Committee meeting, State Controller John Chiang proposed an initiative regarding diversity on corporate boards. One of the elements of the initiative is that appropriate policies be amended to address this issue. In that vein, State Controller representative Terry McGuire proposed and the Subcommittee approved an additional amendment to the Principles, Section 2.4, Director Nominations.

Staff was directed to report back at the April Policy Subcommittee meeting regarding possible revisions to additional policies to incorporate support for corporate board diversity.

On **MOTION** by Ms. Sheehan, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of:

1. Revised Statement of Investment Policy for Global Proxy Voting
2. Consolidation of Global Principles of Accountable Corporate Governance and Core Principles of Accountable Corporate Governance, as revised
3. Repeal of Existing Principles

POLICY REVIEW AND CONSOLIDATION PROJECT

Anne Stausboll, Chief Operating Investment Officer, reviewed the history of the Policy Review and Consolidation Project and outlined the project objectives to:

- Organize and streamline Investment Policy to improve access, clarity and transparency
- Provide a consistent Investment Policy framework
- Ensure that the policies facilitate the ongoing CalPERS compliance program

Agenda Item 6 (below) reflects the results of the review of policies within the Global Equity category of the Policy Manual. A phased review of all policies is ongoing and will be completed in 2008.

AGENDA ITEM 6 – Revision of Global Equity Policies

Eric Baggesen, Interim Senior Investment Officer, highlighted the revisions to the Global Equity policies. Andrew Junkin, Wilshire Associates, was available to respond to questions from the Subcommittee.

Review of the policies was a joint effort and included input from the General Pension Consultant, the CalPERS Legal Office, and the Enterprise Office of Compliance.

On **MOTION** by Ms. Sheehan, **SECONDED** and **CARRIED** to recommend to the Investment Committee:

- a. Approval of the revised Statement of Investment Policy on Corporate Governance Investments
- b. Adoption of the Statement of Investment Policy on Externally Managed Strategies (consolidation of Global Equity externally managed programs) and Related Repeals
- c. Approval of the revised Statement of Investment Policy on Monitoring Externally Managed Portfolios
- d. Repeal of the Statement of Investment Policy on Passive International Equities – Externally Managed
- e. Adoption of the Statement of Investment Policy on Internally Managed Affiliate Equity Index Funds (consolidation of policies for Standard & Poor's 500 Equity Index Fund Internally Managed programs) and Related Repeals
- f. Revision of the Statement of Investment Policy on Internally Managed Global Equity Index Funds and Repeal of the Statement of Investment Policy on Dynamic Completion Fund
- g. Revision of the Statement of Investment Policy on Internally Managed Global Enhanced Equity Strategies
- h. Revision of the Statement of Investment Policy on Risk Managed Absolute Return Strategies Program

AGENDA ITEM 7 – DRAFT AGENDA FOR APRIL 2008

The Subcommittee accepted the proposed April 21, 2008 agenda.

Anne Stausboll reported that informational draft copies of the new Infrastructure Program policy would be provided to Board members. Comments have been solicited from and a meeting will be held with interested persons. The policy is scheduled for presentation at the April Policy Subcommittee meeting.

An updated 2008 Policy Review and Consolidation Project schedule was reviewed.

AGENDA ITEM 8 – PUBLIC COMMENT

There were no public comments.

The meeting was adjourned at 3:00 p.m.

The next Subcommittee meeting is scheduled for April 21, 2008 at a time to be determined in Sacramento, California.